

TOWNSHIP OF WHEATLAND  
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Wheatland	County Hillsdale
Fiscal Year End 03/31/06	Opinion Date 08/11/06	Date Audit Report Submitted to State 09/13/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other reports required	
Certified Public Accountant (Firm Name) Bailey, Hodshire & Company, P.C.		Telephone Number 517-849-2410	
Street Address 479 E. Chicago Street		City Jonesville	State MI
		Zip 49250	
Authorizing CPA Signature 		Printed Name Kelly S. Hodshire	License Number 1101020992

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# Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET  
P.O. BOX 215  
JONESVILLE, MI 49250

PHONE: (517) 849-2410  
FAX: (517) 849-2493  
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

## INDEPENDENT AUDITOR'S REPORT

To the Supervisor and  
Members of the Township Board  
Township of Wheatland  
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Wheatland as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The scope of our examination did not include verification of the fund balances at April 1, 2005, therefore, we are unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2005, fund balances, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Wheatland as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 18 through 22, are not a required part of the basic financial statements but are supplementary

Township of Wheatland  
Page 2

information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Wheatland's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Bailey, Hedshue & Company, P.C.*  
August 11, 2006  
Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF WHEATLAND

This section of Wheatland Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements which follow this section.

### Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2006:

- The assets of the Township exceeded its liabilities at March 31, 2006 by \$259,273 (net assets). Of this amount, \$242,261 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$3,716.
- As of March 31, 2006, the Township's governmental funds reported combined ending fund balances of \$242,261, a decrease of \$5,048. The entire amount is available for spending at the government's discretion (unreserved fund balance).

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year. Since this is the first year for which the Township adopted the provisions of GASB Statement No. 34, comparative data is not required. In future years, such information will be presented for the current and preceding year:

TABLE 1 - NET ASSETS

Assets:	
Current Assets	\$ 257,397
Capital Assets (net of depreciation)	<u>17,012</u>
Total Assets	<u>\$ 274,409</u>
Liabilities:	
Current Liabilities	\$ 15,136
Long-term Liabilities	<u>0</u>
Total Liabilities	<u>\$ 15,136</u>
Net Assets:	
Invested in Capital Assets, net of related debt	\$ 17,012
Restricted	0
Unrestricted	<u>242,261</u>
Total Net Assets	<u>\$ 259,273</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF WHEATLAND

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS

Program Revenue:	
Charges for services	\$ 54,191
General Revenue:	
Property tax	26,047
State shared revenue	89,176
Unrestricted investment earnings	3,538
Other	<u>2,609</u>
Total Revenue	<u>\$ 175,561</u>
Expenses:	
General Government	\$ 59,777
Public Safety	60,203
Public Works	58,747
Culture & Recreation	<u>550</u>
Total Expenses	<u>\$ 179,277</u>
DECREASE IN NET ASSETS	<u>\$ (3,716)</u>

The Township's net assets remain healthy.

### Governmental Activities

Total revenues for the year were increased slightly. Expenses were increased primarily because of more road projects being completed in the fiscal year. During the year, the Township Board continued to monitor the revenues and expenditures.

### The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the public safety fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work, road stabilization (dust control on all dirt roads) and landfill expenditures; these areas incurred expenses of \$58,000 in 2006.

### General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budgets to take into account events during the year. The most significant was an increase in zoning of \$2,200 and ambulance service of \$2,200.

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF WHEATLAND

### **Capital Asset and Debt Administration**

The Township's only investment in capital assets during the year was a new roof on the township hall for \$2,670. The Township also received voting machines worth \$5,800 from Hillsdale County. There was a continued investment in the roads within the Township. The road work is done with the cooperation of the Hillsdale County Road Commission which performs (or contracts) the work and shares the costs. This infrastructure is not reported on the Township's financial statements because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 16.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2006/2007 is based on similar revenues as was for year ended March 31, 2006. However, because of the impact of the State-shared revenue cuts, the Township will continue to watch its budget very close.

Elections will be held during the fiscal year ended March 31, 2007. The Township budget includes larger expenditures for road projects. The Township is no longer liable to collect and remit to the Addison Hospital Authority property tax millage as of March 31, 2005. The Township has renewed their certificates of deposit during the fiscal year ended March 31, 2007 and hope to recognize increased rates of return.

### **Contacting the Township's Management**

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF WHEATLAND  
STATEMENT OF NET ASSETS  
MARCH 31, 2006

ASSETS

Cash & investments	\$ 240,556
Taxes receivable	16,841
Capital assets - net	<u>17,012</u>
Total assets	<u>\$ 274,409</u>

LIABILITIES

Accounts payable	\$ 3,527
Deferred revenue	<u>11,609</u>
Total liabilities	<u>\$ 15,136</u>

NET ASSETS

Investment in capital assets, net of related debt	\$ 17,012
Unrestricted	<u>242,261</u>
Total net assets	<u>\$ 259,273</u>
Total liabilities and net assets	<u>\$ 274,409</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General Government	\$ 59,777	\$ 3,970	\$ 0	\$ 0	\$ (55,807)
Public Safety	60,203	2,075	0	0	(58,128)
Public Works	58,747	0	0	0	(58,747)
Culture & Recreation	<u>550</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(550)</u>
Total	<u>\$ 179,277</u>	<u>\$ 6,045</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(173,232)</u>

General Revenues:

Property tax, levied for general purposes	\$ 26,047
Property tax, levied for public safety	48,146
State shared revenue	89,176
Unrestricted investment earnings	3,538
Other	<u>2,609</u>

Total General Revenues \$ 169,516

Change in Net Assets \$ (3,716)

Net Assets - Beginning 257,189

Net Assets - Ending \$ 253,473

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash & investments	\$ 240,556	\$ 0	\$ 240,556
Taxes receivable	5,031	6,165	11,196
Due from other funds	3,216	0	3,216
Due from agency fund	<u>5,645</u>	<u>0</u>	<u>5,645</u>
Total assets	<u>\$ 254,448</u>	<u>\$ 6,165</u>	<u>\$ 260,613</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 578	\$ 2,949	\$ 3,527
Due to other funds	0	3,216	3,216
Deferred revenue	<u>11,609</u>	<u>0</u>	<u>11,609</u>
Total liabilities	<u>\$ 12,187</u>	<u>\$ 6,165</u>	<u>\$ 18,352</u>
<b>Fund Equity:</b>			
Fund Balance			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved/Undesignated	<u>242,261</u>	<u>0</u>	<u>242,261</u>
Total fund equity	<u>\$ 242,261</u>	<u>\$ 0</u>	<u>\$ 242,261</u>
Total liabilities and fund equity	<u>\$ 242,261</u>	<u>\$ 6,165</u>	<u>\$ 260,613</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 242,261
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	74,059
Deduct: accumulated depreciation	<u>(57,047)</u>
Net assets of governmental activities	<u>\$ 259,273</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND  
STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
MARCH 31, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE			
Property taxes	\$ 26,047	\$ 48,146	\$ 74,193
State shared revenue	89,176	0	89,176
Charges for services	6,045	0	6,045
Interest	3,538	0	3,538
Miscellaneous	<u>2,609</u>	<u>0</u>	<u>2,609</u>
Total revenue	<u>\$ 127,415</u>	<u>\$ 48,146</u>	<u>\$ 175,561</u>
EXPENDITURES			
General government	\$ 61,109	\$ 0	\$ 61,109
Public safety	4,640	55,563	60,203
Public works	58,747	0	58,747
Recreation and culture	<u>550</u>	<u>0</u>	<u>550</u>
Total expenditures	<u>\$ 125,046</u>	<u>\$ 55,563</u>	<u>\$ 180,609</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 2,369</u>	<u>\$ (7,417)</u>	<u>\$ (5,048)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 0	\$ 7,417	\$ 7,417
Transfers out	<u>(7,417)</u>	<u>0</u>	<u>(7,417)</u>
Total other financing sources (uses)	<u>\$ (7,417)</u>	<u>\$ 7,417</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$ (5,048)	\$ 0	\$ (5,048)
FUND BALANCES - BEGINNING	<u>247,309</u>	<u>0</u>	<u>247,309</u>
FUND BALANCES - ENDING	<u>\$ 242,261</u>	<u>\$ 0</u>	<u>\$ 242,261</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND  
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Net changes in fund balances - total governmental funds \$ (5,048)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	2,670
Deduct: depreciation expense	<u>(1,338)</u>

Change in net assets of governmental activities \$ (3,716)

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
MARCH 31, 2006

ASSETS

Cash

\$ 5,645

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LIABILITIES

Due to Township General Fund

\$ 5,645

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The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Wheatland is located in Hillsdale County, Michigan, and comprises a population of approximately 1,258 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Wheatland conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:  
A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial Statements prepared using full accrual accounting for all of the Township's activities, including fixed assets (buildings, equipment, vehicles, etc.)

- A change in the fund financial statements to focus on major funds.

The Township has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by the Township of Wheatland:

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

**Fund Financial Statements** - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Measurement Focus and Basis of Accounting**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Measurement Focus and Basis of Accounting (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

**Financial Statement Presentation**

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Public Safety Fund - established as a special revenue fund to account for the revenue and expenditures associated with fire and ambulance services.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Assets, Liabilities, and Net Assets**

Bank Deposits and Investments - Cash and investments are reported at cost.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$500. The Township does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	50 years
Furniture & Fixtures	20 years
Cemetery Equipment	15 years
Technology	5 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Township Board	1,800	1,950	150
General Fund	Supervisor Salary	4,800	5,198	398
General Fund	Zoning Salary	1,200	1,299	99
General Fund	Clerk Salary	6,600	7,147	547
General Fund	Treasurer Salary	8,580	9,291	711
General Fund	Building and Grounds	3,000	3,257	257
General Fund	Cemetery Sexton	900	975	75
General Fund	Transfers to other funds	0	7,417	7,417

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

an office in Michigan. As of March 31, 2006, the Township's deposits are in accordance with statutory authority.

**Deposits**

Following are the components of the Township's bank deposits at March 31, 2006:

Checking Accounts	\$ 3,019
Savings Accounts	53,860
Certificates of Deposit	<u>183,678</u>
Total	<u>\$ 240,557</u>

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2006, the carrying amount of the Township's deposits was \$240,557 and the bank balance was \$241,372. Of the bank balance, \$227,882 was covered by federal depository insurance and \$13,490 was uninsured. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

**Investments**

There were no investments held during the year.

**NOTE 4 - RECEIVABLES**

Receivables at March 31, 2006, consist of property taxes and are considered collectible in full.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended March 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 9,880	\$ 0	\$ 0	\$ 9,880
Capital assets being depreciated				
Buildings & Improvements	\$ 47,784	\$ 2,670	\$ 0	\$ 50,454
Furniture & Equipment	<u>7,925</u>	<u>5,800</u>	<u>0</u>	<u>13,725</u>
Subtotal	\$ 55,709	\$ 8,470	\$ 0	\$ 64,179
Less accumulated depreciation for				
Buildings & Improvements	\$ (47,784)	\$ (178)	\$ 0	\$ (47,962)
Furniture & Equipment	<u>(7,925)</u>	<u>(1,160)</u>	<u>0</u>	<u>(9,085)</u>
Subtotal	\$ (55,709)	\$ (1,338)	\$ 0	\$ (57,047)
Total capital assets				

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 5 - CAPITAL ASSETS (continued)**

being depreciated, net	\$ 0	\$ 7,132	\$ 0	\$ 7,132
Total capital assets, net	<u>\$ 9,880</u>	<u>\$ 7,132</u>	<u>\$ 0</u>	<u>\$ 17,012</u>

Depreciation expense was charged to functions/programs of the Township as follows:

General Government	<u>\$ 1,338</u>
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**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at March 31, 2006, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 5,645	Tax Collection Fund	\$ 5,645
General Fund	<u>3,216</u>	Public Safety Fund	<u>3,216</u>
	<u>\$ 8,861</u>		<u>\$ 8,861</u>

Interfund transfers during the year consisted of the following:

Transfers from Tax Collection Fund to General Fund	\$ 67,790
Transfer from General Fund to Public Safety Fund	7,417

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund. The amount due to General Fund from the Public Safety Fund represents reimbursement due for payment of fire services.

**NOTE 7 - DEFERRED REVENUE**

The Township levied .3617 mills for hospital services, collecting \$11,609, during the year ended March 31, 2006. The Township was not required to remit the collected millage to the hospital authority for the year ended March 31, 2006. Since the Township does not intend to be liable for the millage in the future, the 2006 township millage will be reduced by .3617 mills for one year and the hospital millage will no longer be collected.

**NOTE 8 - PROPERTY TAXES**

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2005 was .8115 mills for general operations, .7500 mills for ambulance services, .3617 mills for hospital services, and .7500 mills for fire services on a total state taxable valuation of approximately \$32,391,796. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

**NOTE 9 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and

TOWNSHIP OF WHEATLAND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**NOTE 9 - RISK MANAGEMENT (continued)**

contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

**NOTE 10 - UNEMPLOYMENT TAXES**

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

**NOTE 11 - COMMITMENTS**

At its April, 2006 meeting, the Township Board approved various contracts with the Hillsdale County Road Commission totaling \$57,900 (Township share) for road projects to be completed in the 2006-07 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF WHEATLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 247,309	\$ 247,309	\$ 247,309	\$ 0
Resources (inflows)				
Property taxes	25,000	25,000	26,047	1,047
State shared revenue	86,000	86,000	89,176	3,176
Charges for services	4,000	4,000	6,045	2,045
Interest income	3,000	3,000	3,538	538
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>2,609</u>	<u>(891)</u>
Amounts available for appropriation	<u>\$ 368,809</u>	<u>\$ 368,809</u>	<u>\$ 374,724</u>	<u>\$ 5,915</u>
Charges to appropriations (outflows)				
General Government				
Township Board				
Salaries	\$ 1,800	\$ 1,800	\$ 1,950	\$ 150
Dues and subscriptions	700	700	660	(40)
Mileage	1,000	1,000	630	(370)
Telephone	800	800	478	(322)
Office supplies	3,000	3,000	2,149	(851)
Professional Fees	3,000	3,000	707	(2,293)
Payroll tax	3,900	3,900	1,713	(2,187)
Printing and publishing	1,000	1,000	906	(94)
Insurance and bonds	6,000	6,000	5,734	(266)
Miscellaneous	1,500	1,500	83	(1,417)
Supervisor				
Salary	4,800	4,800	5,198	398
Zoning				
Salary	1,200	1,200	1,299	99
Zoning expense	2,000	4,200	3,115	(1,085)
Clerk				
Salary	6,600	6,600	7,147	547
Deputy	250	250	0	(250)
Land Division Administration	1,000	1,000	226	(774)
Board of Review	1,000	1,000	630	(370)
Treasurer				
Salary	8,580	8,580	9,291	711
Deputy	250	250	0	(250)
Printing	2,500	2,500	1,240	(1,260)

TOWNSHIP OF WHEATLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Assessor				
Contract services	\$ 8,000	\$ 8,000	\$ 7,795	\$ (205)
Elections	500	500	0	(500)
Building and grounds	3,000	3,000	3,257	257
Cemetery				
Sexton salary	900	900	975	75
Maintenance	9,000	9,000	7,897	(1,103)
Public Safety				
Addison hospital authority	12,000	12,000	0	(12,000)
Ambulance service	0	2,200	0	(2,200)
Public Works				
Roads	50,000	45,600	45,249	(351)
Drains	2,000	2,000	746	(1,254)
Landfill	13,000	13,000	12,751	(249)
Culture and Recreation	550	550	550	0
Capital Outlay	5,000	5,000	2,670	(2,330)
Transfers to other funds	<u>0</u>	<u>0</u>	<u>7,417</u>	<u>7,417</u>
Total charges to appropriations	<u>\$ 154,830</u>	<u>\$ 154,830</u>	<u>\$ 132,463</u>	<u>\$ (22,367)</u>
End of year fund balance	<u>\$ 213,979</u>	<u>\$ 213,979</u>	<u>\$ 242,261</u>	<u>\$ 28,282</u>

TOWNSHIP OF WHEATLAND  
BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Beginning of year fund balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (inflows)				
Property tax revenue	30,000	30,000	48,146	18,146
Transfers from other funds	<u>0</u>	<u>0</u>	<u>7,417</u>	<u>7,417</u>
Amounts available for appropriation	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 55,563</u>	<u>\$ 25,563</u>
Charges to appropriations (outflows)				
General Government				
Fire protection	\$ 32,000	\$ 32,000	\$ 31,490	\$ (510)
Ambulance service	<u>26,273</u>	<u>26,273</u>	<u>24,073</u>	<u>(2,200)</u>
Total charges to appropriations	<u>\$ 58,273</u>	<u>\$ 58,273</u>	<u>\$ 55,563</u>	<u>\$ (2,710)</u>
End of year fund balance	<u>\$ (28,273)</u>	<u>\$ (28,273)</u>	<u>\$ 0</u>	<u>\$ 28,273</u>

TOWNSHIP OF WHEATLAND  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
MARCH 31, 2006

**NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Township Board	1,800	1,950	150
General Fund	Supervisor Salary	4,800	5,198	398
General Fund	Zoning Salary	1,200	1,299	99
General Fund	Clerk Salary	6,600	7,147	547
General Fund	Treasurer Salary	8,580	9,291	711
General Fund	Building and Grounds	3,000	3,257	257
General Fund	Cemetery Sexton	900	975	75
General Fund	Transfers to other funds	0	7,417	7,417

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF WHEATLAND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CURRENT TAX COLLECTION FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>ASSETS</b>				
Cash	\$ 14,248	\$ 728,849	\$ 737,452	\$ 5,645
<b>LIABILITIES</b>				
Due to Other Funds	\$ 14,248	\$ 59,187	\$ 67,790	\$ 5,645
Due to County	0	364,619	364,619	0
Due to Schools	0	283,919	283,919	0
Due to Other Govt. Units	0	21,124	21,124	0
	\$ 14,248	\$ 728,849	\$ 737,452	\$ 5,645

The accompanying notes are an integral part of this statement.

Bailey, Hodshire  
& Company, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET  
P.O. BOX 215  
JONESVILLE, MI 49250

PHONE: (517) 849-2410  
FAX: (517) 849-2493  
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

August 11, 2006

To the Supervisor and  
Members of the Township Board  
Township of Wheatland

In connection with our audit of the Township of Wheatland for the year ended March 31, 2006, we would like to make the following comments and recommendations:

1. The Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires governmental entities to adopt a capitalization policy. This policy should set a capitalization threshold. If a capital expenditure is equal to or greater than this threshold, the asset purchased should be capitalized and depreciated. Capital expenditures that fall below the threshold should be reported as operating expenditures in the year of purchase. The capitalization policy must also determine a method of estimating historical cost or fair value. A sample policy is available from the Michigan Township Association.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

*Bailey, Hodshire & Company, PC*

Bailey, Hodshire & Company, P.C.